

Testimony
of
Michael W. Myhre
CEO, Florida SBDC

May 1, 2019
Committee on Small Business & Entrepreneurship
United States Senate

Hearing to Examine Reauthorization of the Small Business
Administration's Entrepreneurial Development Programs

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Background

In 1976, located in the place where heaven touches earth—Pensacola, Florida—the University of West Florida applied and awarded to be one of eight university hosts in the U.S. to participate in a new pilot program – the Small Business Development Center, or SBDC program. Congress conceptualized that existing and aspiring small businesses would have a greater opportunity for sustained success and prosperity if they were able to access the intellectual capital of our nation’s best, and most entrepreneurial colleges and universities. After proving the model as a resounding success, Congress established the SBDC program as part of Chapter 21 of the Small Business Act in 1980. Today, America’s SBDCs serve every square mile and every urban, suburban and rural community and considered the most highly regarded small business development program in the country.

America’s SBDCs have a unified purpose and mission to utilize our collective experience, knowledge, and resources to help small businesses realize unimaginable possibilities for prosperity. We achieve mission success by providing our small businesses with access to world-class professional expertise, helping them be more competitive and profitable, while being responsible and accountable stewards focused on generating results that contribute to the economic prosperity of the American economy. Our success in our unified mission has been validated repeatedly over the past 40 years.

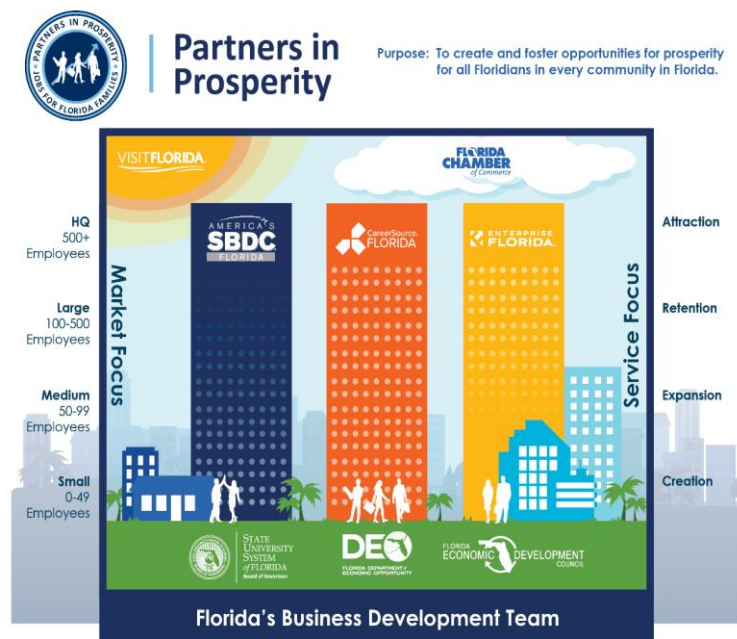
In a recent GAO Review of Entrepreneurial Assistance Programs, GAO examined 52 program across Commerce, HUD, SBA and USDA that supported entrepreneurs. GAO concluded that Congress should “explore opportunities to enhance collaboration among programs, improve tracking of program information, and conduct more program evaluations,” while referencing the SBDC program as a model. GAO highlighted that SBDCs “had strong on-the-ground, local collaborative partnerships with other economic development programs; collect extensive data on performance, and have rigorous standards of quality control.” GAO identified and suggested several SBDC best practices, including:

- SBDCs have customer relationship management systems that have extensive capabilities to track and report across 200 different demographic, activity and outcome metrics;
- SBDCs have a strong commitment to continuous improvement and performance excellence through its accreditation process, which is based on the NIST Baldrige Performance Excellence Program;

- SBDCs integrate, manage and operate multiple small business development programs and services, like the PTAC (Procurement and Technical Assistance) program sponsored by the Defense Logistics Agency, and/or collaborate and partner with their sponsoring organizations to avoid duplication and meet the full scope of small business needs, and
- SBDCs achieve high-levels of overall effectiveness and performance in contributing to business and economic outcomes, like access to capital, increased sales and employment, and efficiency in taxpayer return-on-investment.

As a result of the foresight of Congress, the Florida SBDC Network started at the University of West Florida in Pensacola as one man, in one community, helping a handful of local small businesses in the Panhandle, and has evolved to be designated in state statute as *“the principal business assistance organization for small businesses in the state.”* [[Florida Statute §288.001](#)]

Nourishing statewide partnerships among state universities and colleges; federal, state and local government; state, regional and local economic development agencies and organizations, and the private sector, the Florida SBDC is one of the Sunshine State’s principle business development agencies, known as the “Partners in Prosperity,” and is widely recognized as ‘the’ thought leader and go to resource for small business assistance.



Key SBDC Characteristics

America's SBDCs, and the Florida SBDC, have a number of characteristics defined in program regulation, policy and operating culture that shape the way the program is structured, operated and delivers services.

Commitment to Continuous Improvement and Performance Excellence

America's SBDCs are committed to a culture of innovation, continuous improvement and performance excellence. Developed by the National Institute of Standards and Technology (NIST), Baldrige uses a set of standards to assess and improve performance on critical factors that drive organizational success. The SBDC program utilizes the principles of the Baldrige Performance Excellence Program as the basis of the "ASBDC Accreditation;" a necessary and required accreditation for all SBDCs. The ASBDC Accreditation Standards evaluate seven key areas of every SBDC:

1. Leadership
2. Strategic Planning
3. Customer & Stakeholder Focus
4. Performance Measurement, Analysis, Knowledge Management
5. Workforce Focus
6. Program Delivery & Management
7. Results & Outcomes



Why does accreditation matter and what value does it add?

Required every five years, and mandated by Congress as part of the Small Business Act, ASBDC Accreditation is required for every SBDC to secure continued federal funding. More importantly, accreditation is an organizational asset and tool that provides the SBDC program with a competitive advantage over other federal funded programs. The accreditation process demonstrates to our funding partners, including taxpayers, how SBDCs remain laser focused and committed to serving customer needs, continuously improving services and operational processes, and achieving high performance.

The Association, America's SBDCs, implements and facilitates the accreditation process. The ASBDC Accreditation Committee is comprised of volunteer SBDC senior leaders who are trained and certified to perform accreditation reviews. I served on the ASBDC Accreditation Committee for ten years conducting 20 accreditation reviews of other SBDC networks during my service.

The ASBDC Accreditation Committee assigns an Accreditation Review Team, generally comprised of two to four committee members, to conduct a thorough examination of the reviewed SBDC, including an onsite review. In preparation for the review, the reviewed SBDC prepares a self-study that generally includes hundreds of pages of exhibits to demonstrate adherence and commitment to the accreditation standards. Throughout the onsite review and engagement with SBDC personnel and key stakeholders, the review team seeks to verify and substantiate the SBDCs self-study responses in comparison to the accreditation standards.

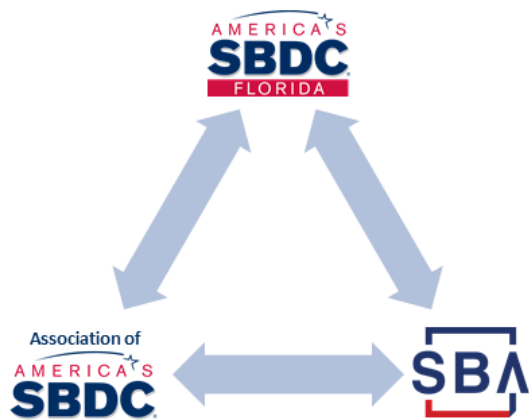
Once the onsite review is complete, the review team prepares an Accreditation Report that they must present and defend before the ASBDC Accreditation Committee. The Accreditation Committee deliberates, concluding whether the SBDC has met the accreditation standards and should be granted accreditation. Subsequently, the Accreditation Committee will issue an accreditation report that summarizes the committee's decision, accreditation team's observations, and provides detailed recommendations and opportunities for improvement that become foundational for continuous improvement for the reviewed SBDC.

Commitment to a Culture of Collaboration and Partnership

The term “partnership” does not necessarily constitute the creation of a legal entity partnership, but rather the creation of a relationship that is characterized by mutual cooperation and accountability for the achievement of common mission and goals.

SBDCs embrace a culture of collaboration and partnership. SBDC leaders understand that creating a culture of collaboration and fostering strategic partnerships improves efficiencies and effectiveness that enhance business support services, making it easier for existing and aspiring small businesses to grow and succeed, while maximizing the return on investment for taxpayers.

America’s SBDCs align what they do, and how and where they do it based on the environment they exist. For example, an SBDC operating in a rural community where fewer small business resources exist may offer a wide variety of general expertise services to a wide variety of existing and aspiring small businesses. Conversely, an SBDC operating in a large population center may only offer specialization in one or two select areas of expertise to a very narrow type of small business entity. They do this to meet assessed market needs and avoid duplication, unnecessary market competition and waste of taxpayer resources, while expanding the capacity and availability of capabilities to serve the full scope of the diverse and complex needs of existing and aspiring small businesses.



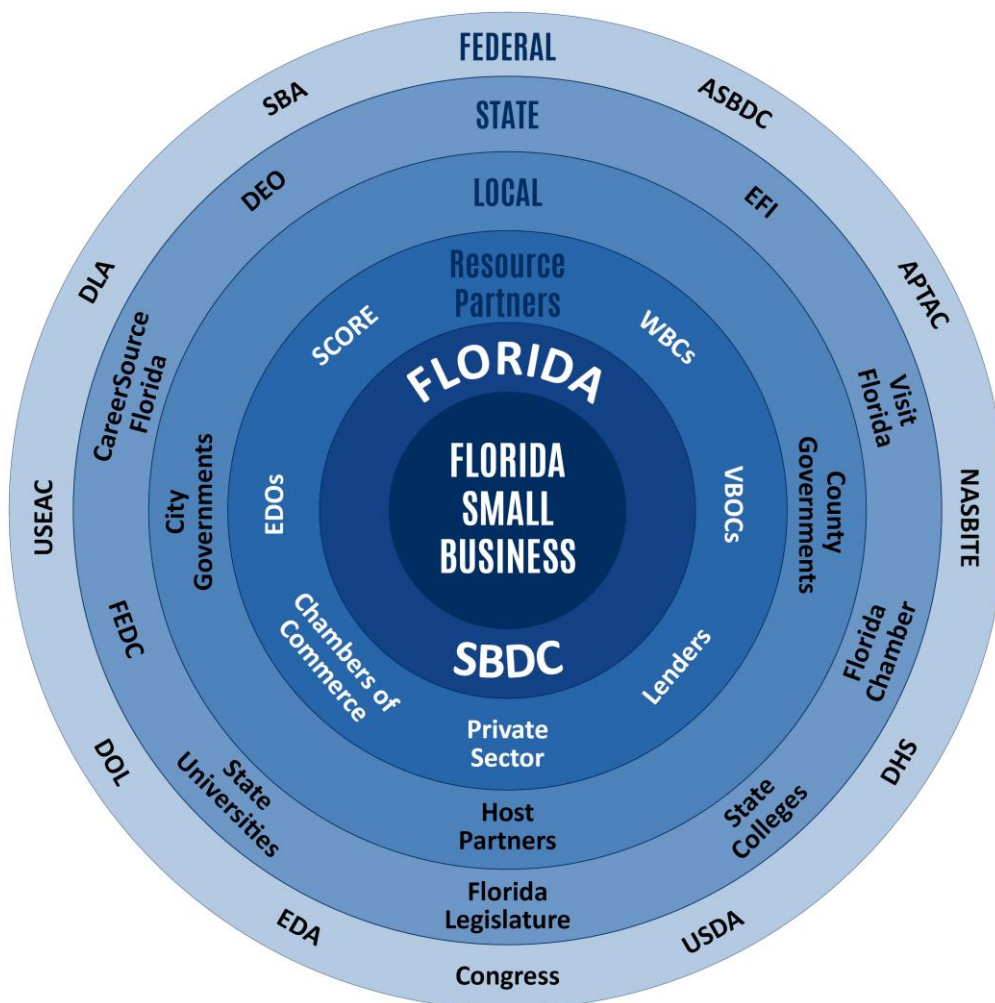
In its most basic form, a formal partnership exists between the SBA, an SBDC, and its Association (America’s SBDC).

The SBA and each of the SBDC’s 62 headquarter host organizations has a partnership formalized by the execution of an annual Cooperative Agreement, e.g. SBA executes a Cooperative Agreement with the University of West Florida, the lead host institution for the Florida SBDC. Further, a

partnership exists between each of the 62 SBDCs that comprise the national program through its membership in the Association (America’s SBDCs). Finally, a partnership exists between the Association (America’s SBDC) and SBA, which is formalized by the Small Business Act and requires the agency to recognize and negotiate in good faith with the

association on common issues of its members' SBDCs. Apart from these, the diversity of partnerships and stakeholder relationships of each SBDC will vary considerably depending on its overall environment.

Illustrated in part by the diagram below, the Florida SBDC has hundreds of necessary value-added partnerships with a diverse mix of organizations, including federal, state, and local governments; institutions of higher education, state and local economic development organizations, chambers of commerce, and private sector partners, among many others. While all are important, not all partnerships are formalized by a binding agreement. Nevertheless, the Florida SBDC has 40 partner organizations that provide the necessary operating capital to support its services and operations.



Commitment to Separation of Authority

Separation of authority of each partner is essential to effectively operating an SBDC program. Defined and separate areas of responsibility ensure that one partner will not conflict with the authority and responsibility of another partner.

Congress has designated that the SBDC national program be under the general oversight of the U.S. Small Business Administration (SBA). As such, SBA conducts numerous programmatic and financial reviews, examinations and audits to fulfill on its oversight responsibilities numerated in 15 USC 648 21(k)(1) of the Small Business Act and the Code of Federal Regulations 12, Part 130.180(a). The intent of these oversight functions are to ensure:

- the SBDC is operating effectively in its delivery of services to the small business community.
- the SBDC has controls in place to ensure the accuracy of reported financial and management data.
- the SBDC costs incurred and claimed for reimbursement were reasonable, allowable, and allocable.
- the SBDC has been compliant with the program policies, operating procedures and applicable laws and regulations.

Subsequently, federal law and congressional intent define that the “Recipient Organization,” i.e. SBDC headquarter host partner has full authority to control program resources and expenditures under the SBDC budget. While use of program investment is specifically designated for the sole purpose and use of supporting the achievement of the purposes and services stated within the respective laws, regulations and *negotiated* terms that govern the SBDC program, it is the sole responsibility and accountability of the CEO of each SBDC to:

- allocate program funding as he or she determines necessary to achieve program goals and objectives of all vested partners,
- establish and operate an effective and efficient organizational structure that ensures client services are readily accessible to small businesses throughout its respective market based on assessed need, and
- serve as the managerial and administrative hub or headquarters of the organization.

In Florida, the University of West Florida is the federal and state designated Recipient Organization for both the SBDC and PTAC programs. As the Recipient Organization, UWF is responsible for

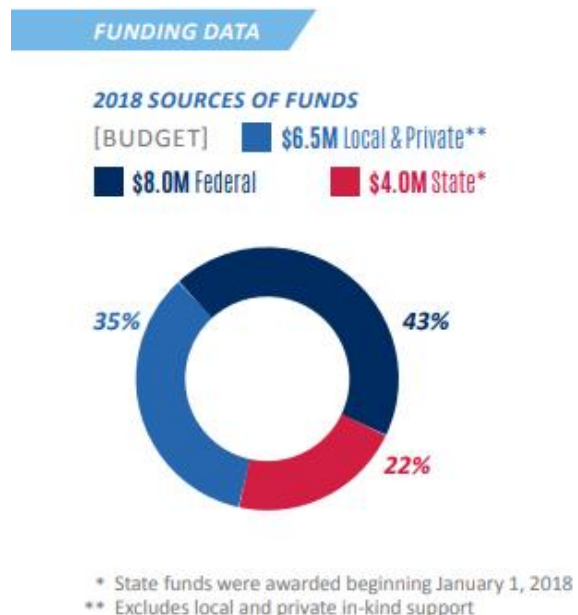
- establishing an independent entity within the university, commonly referred to as the Headquarters, and
- designating the Chief Executive Officer, commonly referred to the “State Director,” to lead the Florida SBDC.

The SBDC headquarters serves as the managerial and administrative center of the organization and the CEO serves as the chief executive of the organization. As such, the CEO of the Florida SBDC Network is responsible for establishing an organization structure that ensures direct client services are readily accessible to small businesses throughout Florida.

Commitment to Shared and Leveraged Investment

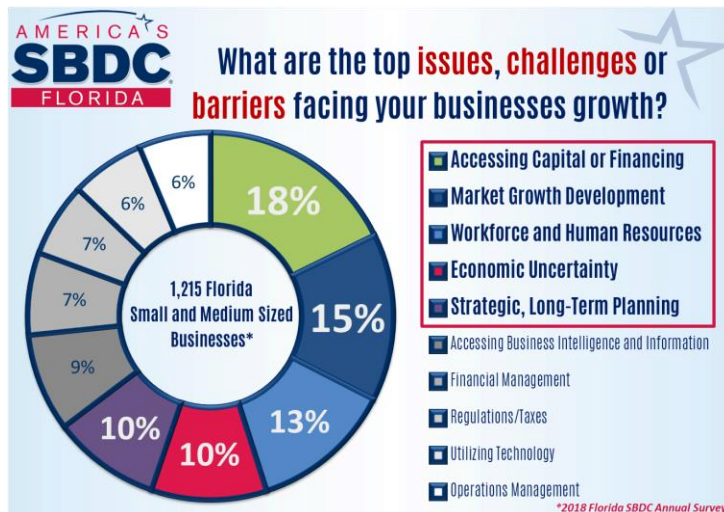
Federal taxpayer financial investment in the SBDC program is extensively leveraged by multiple, other non-federal sources of investment, including but not limited to state appropriations, participating host partner institutions, local counties, municipalities, economic development organizations, chambers of commerce, banks, foundations, among others.

Financial partnering is specifically included in the Small Business Act as a characteristic of the national SBDC program. Each of the 62 SBDC programs are expected to significantly contribute, and actively pursue funding support (from non-federal funds) to meet and exceed the federal investment to support small business development services that generate taxpayer return-on-investment. As a result, each SBDC is the majority investor/shareholder providing more than half of the total program budget from sources other than federal funding. This is true for each individual SBDC and collectively for all of America’s SBDCs. For example, excluding local



and private in-kind support, non-federal sources of investment provided 57 percent of the total operating budget for the Florida SBDC in FY2018. When valued and accounted, inkind support increases the non-federal share of investment to more than \$2 non-federal to \$1 federal.

Commitment to Serve Business Growth Needs



America's SBDCs serve the diverse and complex needs of existing and aspiring small and medium-sized businesses unique to the communities in which they are located. Therefore, a key component of every SBDC's strategic focus is to develop, but do not duplicate, small business services that meet needs, not demands. To understand and design services and products that

meet the current and future needs of the communities they serve, SBDCs continually assesses the challenges and issues faced by small and medium-sized businesses in their respective markets through research and modify or modernize services accordingly.

Under Section 21 of the Small Business Act (15 USC § 648), SBDCs are required to provide a plethora of business development consulting and education to support businesses through all stages of the life cycle. To achieve this, America's SBDCs provide access to:

- no-cost, professional business consulting delivered by certified professional business consultants and specialists;
- no-cost or low-cost business development education programs that build the acumen of emerging and established business owners and managers, and
- data and research to enhance business literacy and knowledge to make better business decision.

Together, these services maximize satisfaction and value, and drive business success and sustainability, while enhancing the economic development goals and objectives of SBDC funding partners, including Congress.

While specializations may vary based on assessed market need and resources, all SBDCs have core expertise in areas of common business need that are most vital to accelerating the growth of existing business, including:

- **Business Plan and Strategic Plan Assistance** - Consulting and training directly attributed to assisting existing businesses with strategic or business plan development and/or implementation, including, but not limited to, analyzing the business' mission, vision, strategies and goals, overall critique of plan, and performance measurement and accountability. Assistance may also include the facilitation of strategic plan development for select target market client businesses. Assistance also includes business continuation strategy development including selling, merging or closing a business, as well as disaster preparedness, mitigation, and recovery.
- **Market/Sales Growth Assistance** - Consulting and training directly attributed to assisting existing businesses with marketing plan and strategy development to expand existing or access new revenue markets. Services should include conducting strategic research to identify new markets, preparing and analyzing sales and financial projections, and the ability to professionally critique a business marketing plan or campaign for expanding into a new market.
- **Financial and Capital Access Assistance** - Consulting and training directly attributed to assisting existing and prospective businesses access capital, including providing loan package services, such as assessing capital need, identifying and assessing potential debt and/or equity funders and/or other financing alternatives; assisting in the preparation of applications, projections, pro formas or other support documentation for the request for a loan or other request for financing/investment; preparing a client for lender/investor presentations, or facilitating conferences with or responding to lender/investor inquiries on behalf of a client business.
- **Cash Flow and Business Management Assistance** - Consulting and training directly attributed to assisting businesses with literacy in business cash flow and financial and business management, including cost control management techniques, completing feasibility studies, or completing financial analysis not related to the preparation of a loan package or request for financing. Assistance may also include conducting financial analysis health checks and building financial management

strategies and solutions using financial analysis/strategy software or other appropriate application.

Commitment to Serve Business Recovery Needs

One of the areas we take great pride in is the integral role SBDCs contribute to disaster response and recovery across the country. As a critical member of our State Emergency Response Team (SERT), the Florida SBDC is known as the state's leader for business response and recovery. As such, we are committed to being on the front lines to ensure our state's principal job creators and economic contributors have the professional guidance they need to successfully navigate the initial and long-term recovery process. Immediately after a storm, the Florida SBDC:



- Assists the state in the assessment of business damages;
- leads the coordination of federal and state recovery resources for small business, including the establishment of Business Recovery Centers comprised of SBA and Florida SBDC business recovery specialists to provide direct, onsite assistance to impacted businesses;
- assists in the coordination and administration of the Florida Small Business Emergency Bridge Loan program;
- assists impacted businesses apply for SBA business disaster loans; and
- facilitates public-private sector exchange of information regarding short-term and long-terms recovery needs.

In Florida, we are fortunate to employ designated professionals, many of whom are Certified Business Continuity Professionals by Disaster Recovery Institute International (DRII), to:

- assist small businesses conduct risk assessments and continuity plans to mitigate man-made and natural disasters before they happen, and


- provide ongoing, long-term intensive disaster consultancy to small businesses impacted by a disaster to help them rebuild their business and make a full recovery.

Commitment to Serve Every Community

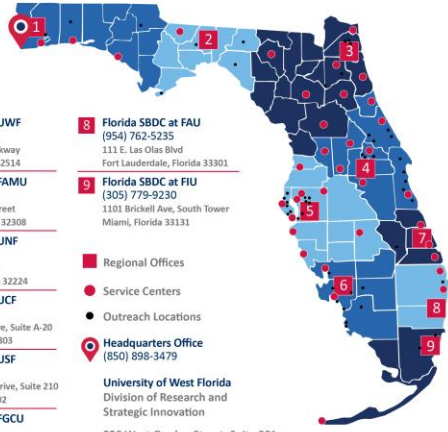
America's SBDCs serve every square mile and every urban, suburban and rural community. The SBDC national program consists of 62 individual networks - one in each state, four in Texas, five in California, and one each in the District of Columbia, Puerto Rico, Virgin Islands, Guam and American Samoa – who collectively have nearly 5,000 professionals. The Florida SBDC, the nation's largest SBDC, has nearly 250 professional in 45 offices statewide to provide existing and emerging small and medium-sized business owners with management and knowledge resources that foster business growth, increased profitability, and create economic prosperity for Florida's economy.

America's SBDCs seek to make services available as close and convenient as possible to the markets they serve. For example, in Florida it is our strategic objective that existing or prospective small business clients do not travel more than one hour to access an SBDC office. We generally meet this standard by:

- placing service centers and outreach locations throughout the state,
- utilizing circuit-riding consultants to meet customers in rural communities, at their place of business or another, secured third-party location, or
- using technology to connect and engage clients.



Helping Businesses Grow & Succeed
9 Regions • 40+ Centers • 50 Outreach Locations
Locations from Pensacola to Key West



- 1 Florida SBDC at UWF
(850) 474-2528
9999 University Parkway
Pensacola, Florida 32514
- 2 Florida SBDC at FAMU
(850) 599-3407
625 E. Tennessee Street
Tallahassee, Florida 32308
- 3 Florida SBDC at UNF
(904) 620-2476
12000 Alumni Drive
Jacksonville, Florida 32224
- 4 Florida SBDC at UCF
(407) 420-4850
3201 E Colonial Drive, Suite A-20
Orlando, Florida 32803
- 5 Florida SBDC at USF
(813) 905-5800
1101 Channelville Drive, Suite 210
Tampa, Florida 33602
- 6 Florida SBDC at FGCU
(239) 745-3700
10501 FGCU Blvd South
Fort Myers, Florida 33965
- 7 Florida SBDC at IRSC
(772) 462-7296
3209 Virginia Ave, Room Y101
Fort Pierce, Florida 34981

- 8 Florida SBDC at FAU
(954) 762-5235
111 E. Las Olas Blvd
Fort Lauderdale, Florida 33301
- 9 Florida SBDC at FIU
(305) 779-9230
1101 Brickell Ave, South Tower
Miami, Florida 33131

Regional Offices

- Service Centers
- Outreach Locations

Headquarters Office
(850) 898-3479

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Division of Research and Strategic Innovation
220 West Garden Street, Suite 301
Pensacola, Florida 32502

www.FloridaSBDC.org

POWERED BY SBA

State Designated as Florida's Principal Provider of Business Assistance (Fla. Stat. § 288.001)

The Florida SBDC Network is a statewide partnership program nationally accredited by the Association of America's SBDCs and funded in part by the U.S. Small Business Administration, Defense Logistics Agency, State of Florida, and other private and public partners, with the University of West Florida serving as the network's headquarters. Florida SBDC services are extended to the public on a nondiscriminatory basis. Language assistance services are available for individuals with limited English proficiency.

Commitment to Serve All People, All Industries

A common misconception is that America's SBDCs do not serve certain special emphasis populations, such as minorities, women and veterans, or targeted industries, such as manufacturing. This is untrue.

America's SBDCs' outreach to minority and underserved communities is a top priority. Nearly one-third of all small business are majority-owned by minorities and nearly 40 percent by women. In Florida, a highly diverse state, nearly one-half (46% and 45%, respectfully) of all SBDC consulting services delivered last year were to business owners who self-identified with at least one minority class and as woman-owned.

The Florida SBDC and our national counterparts consider it an honor and obligation to serve those who served us. Veterans consistently make up a highly entrepreneurial demographic and often operate businesses on a skill set acquired while serving our nation's defense. We believe they have earned and deserve our special attention. In 2018, the Florida SBDC consulted 1,609 veteran-owned businesses, which comprised nearly 15 percent of all the businesses consulted.

In total, Florida is home to nearly 12,000 small manufacturers that employ a little more than 160,000 Floridians; less than 5 percent and just a fraction of the more than 3.2 million small businesses employ statewide. Nevertheless, growth in manufacturing plays a significant and vital role in economic growth and recovery in the state. That is why the Florida SBDC dedicated over 15 percent of its total consulting resources to serve the specific needs and opportunities of manufacturers.

Commitment to Meaningful Economic Results and Taxpayer Return-On-Investment

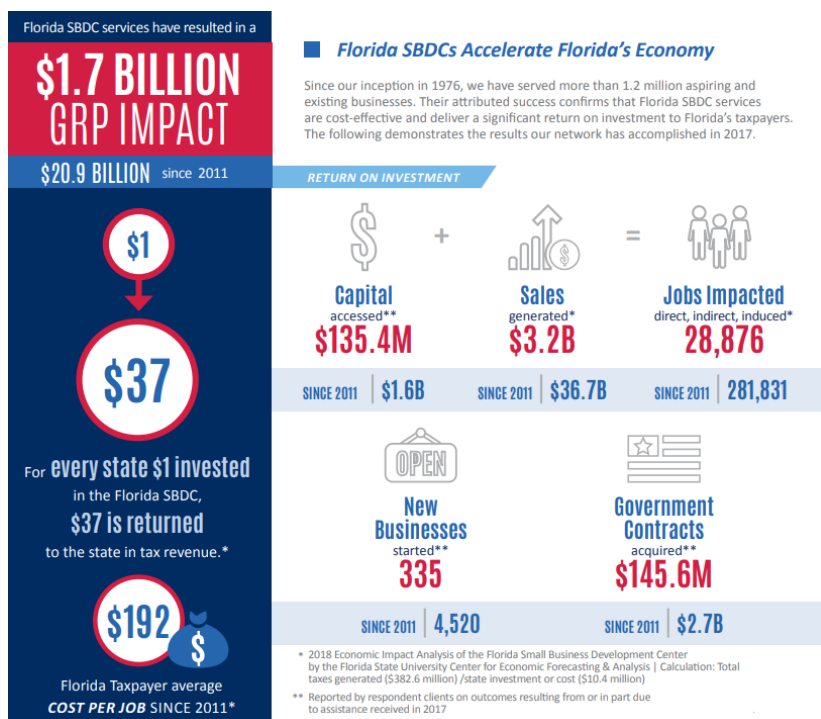
The primary purpose of an SBDC is to provide access to no-cost, certified professional business consultants and specialists who possess the experience, expertise, and access to resources existing and aspiring small businesses need to make better business decisions, identify and access growth opportunities, and ultimately achieve sustained success that results in the creation of lasting positive economic impact for the American economy.

Appropriately, Congress has increased pressure for publically-funded activities, such as the SBDC program, to be more accountable to taxpayers. Through the Government Performance Results Act, the federal government mandates that SBA and its resource partners, including SBDCs, must be accountable and "outcome-driven" if they expect to receive continued taxpayer support. Therefore, it is our commitment to be responsible and accountable stewards while achieving the performance expectations and results that contribute to economic prosperity. To fulfill on this commitment, America's SBDCs aligns financial resources with service delivery goals that achieve meaningful taxpayer return-on-investment.

There are several meaningful reasons to measure ROI, including helping our funding partners understand how Florida SBDC programs and services benefit the state. ROI also enables policymakers to make informed decisions and conclusions concerning program effectiveness. It also helps us measure and trend results to evaluate performance relative to strategy, evaluate effectiveness in comparison to competitors and peers, and ensure learning and continuous improvement.

Each SBDC may define ROI differently based on their environment. The Florida SBDC defines ROI as the net impact its services contribute to the growth of Florida's economy, i.e. the net effect of client businesses' impact on Florida's Gross Regional Product (GRP) divided by taxpayer investment above client industry norms. The source of contribution to defining ROI is defined as the degree to which SBDC consulting services have impacted business revenue growth as verified and attributed by the client business. The Florida SBDC Network conducts an annual survey to collect this data.

Since 2011, Florida SBDCs have provided 624,331 hours of professional business consulting to 58,975 existing and aspiring small businesses, resulting in 281,831 jobs impacted; \$36.7 billion in sales generated; \$2.7 billion in government contracts acquired; \$1.6 billion in capital accessed, and 4,520 new businesses started. Florida taxpayer ROI is \$37 per \$1 invested during this period.



REAUTHORIZATION RECOMMENDATIONS

According to the U.S. SBA, FY 2020 Congressional Budget Justification Report, the Entrepreneurial Development Program Budget includes 14 distinct programs, totaling \$247 million in federal taxpayer investment. The process of reauthorization of SBA's Entrepreneurial Development will allow for a thorough review to ensure continued relevance and alignment of existing programs with the assessed needs of existing and aspiring small businesses, and, where needed, the renewal or realignment of programs to ensure effectiveness and efficiency of taxpayer investment. Following are specific recommendations that should be undertaken during the reauthorization process.

- 1. Clearly define each entrepreneurial development programs purpose, focus appropriate performance metrics that contribute to meaningful economic outcomes. Consider economies of scale and enhanced program service delivery through consolidation or integration of programs where focus, purpose and metrics align.**
- 2. Set forth priorities and goals for all entrepreneurial development programs that reflect 21st century economics and opportunities.**
- 3. Establish an equitable method for determining, negotiating and allocating performance goals that will ensure all entrepreneurial development programs are appropriately motivated and driven to achieve high performance.**
- 4. Strengthen the SBA and SBDC dichotomy and partnership by clarifying the specific authorities and responsibilities of each partner and terms for negotiation and collaboration with the Association for America's SBDCs.**
- 5. Require SBA disaster recovery coordination and collaboration with the SBDC program.**
- 6. Improve the ability for SBDCs to operate and manage entrepreneurial and small business development programs of other federal agencies.**
- 7. Increase the SBDC program authorization, and support appropriation increases for all entrepreneurial development programs to expand capacity and enhance capabilities.**

About Michael W. Myhre, CEO, Florida SBDC

From mailroom to boardroom, Michael W. Myhre has served in every capacity of an SBDC over the past 28 years – 19 of those years as a C-suite executive of the Minnesota and Florida SBDC Networks. Prior to 2011, Mr. Myhre held the position of Executive Director for the Office of Entrepreneurship and Small Business Development for the State of Minnesota during the governorship of Tim Pawlenty. In this capacity, he provided oversight of Minnesota's leading office of entrepreneurial and small business development, including

direction of the Minnesota SBDC. In January 2011, he joined the Florida SBDC as its chief operating officer before assuming the position as the organization's chief executive officer in 2013. Throughout that period, he has also served eight years on the Board of Directors for America's SBDC, the Association of Small Business Development Centers (ASBDC), most recently as its Board Chairman in 2017-2018.